



## **India and Switzerland sign Social Security Agreement**

India and Switzerland signed a Social Security Agreement on 3.9.2009, in presence of the Vice-President of the Swiss Confederation and Minister of Economic Affairs, Ms. Doris Leuthard. The Agreement was signed by Mr. K. Mohandas, Secretary of Overseas Indian Affairs Ministry and Mr. Philippe Welti, Ambassador of the Swiss Confederation in India. On the occasion, Mr. Mohandas said that this is an important agreement, which will further boost the friendly relationship between the two countries. This Social Security Agreement will enhance cooperation on social security between the two countries. It will facilitate the movement of professionals from either side. The detached workers sent by Switzerland-based companies to their Indian subsidiaries, or those sent by Indian companies to their branches in Switzerland will be exempt from social security contribution in the host country for a period of 72 months. While working abroad, these employees will only be subject to the social security regulations of their home country. The Agreement provides that an employed or self-employed person, other than detached workers shall be subject only to the legislation of the host country. The Agreement provides for refund of the contributions at the time of relocation. In so far as Switzerland is concerned, the person will be refunded the contributions in accordance with the Swiss legislation. In so far as India is concerned, the person will be paid the withdrawal benefit or the pension in Switzerland or a third country, as the case may be, in accordance with the Indian legislation at the time of relocation.

## **Visit of Dr. M.S. Gill, Hon'ble Minister for Youth Affairs & Sports**

A 3-member delegation led by Dr. M.S. Gill, Hon'ble Minister for Youth Affairs & Sports paid an official visit to Switzerland from 8-17 August and had a substantive meeting with the Swiss Minister for Sports H.E. Mr. Ueli Maurer on 12 August 2009. Detailed collaboration of programmes in mountaineering, dope control in sports, coaching and training of mountaineering instructors were discussed during the meeting. The Swiss side welcomed this collaboration as the first in bilateral relations in this field. Hon'ble Minister was warmly received as an experienced mountaineer and an expert sportsman in all fields. The Minister and his delegation also had an intensive programme visiting premier sports institutions in Switzerland.

## **Visit of Mr. Kamal Nath, Hon'ble Minister for Road Transport & Highways**

A 5-member delegation led by Mr. Kamal Nath, Hon'ble Minister for Road Transport & Highways visited Switzerland on 11-12 August, 2009 and participated in a 'Building India: Road Infrastructure Summit' jointly organized by CII, ICICI, JM Financials & Swiss-India Chamber of Commerce. Hon'ble Minister also addressed the CII-WEF India Highways Infrastructure Round Table. In his address, Hon'ble Minister stated that the Government was committed to increase the pace of highway development to 20 kms per day which, in turn, would unleash huge business and investment opportunities, amounting to US\$ 60 billion over the next 3-4 years. He highlighted that out of total investment of US\$ 60 billion, US\$ 40 billion were expected to come from private sector.

### **India announces foreign trade policy**

India on August 27, 2009 announced its Foreign Trade Policy for the next 5-year, extending tax holiday and duty refund for exports, while allowing duty free capital goods import. Commerce Minister Anand Sharma unveiled the policy, which sets a target of US \$ 200 billion worth exports for the next fiscal. For full text of the policy, please visit:

<http://164.100.9.245/exim/2000/policy/ftp-plcontent0910.pdf>

### **Changes in Foreign Direct Investment norms**

According to Mr. Jyotiraditya M Scindia, Minister of State for Commerce & Industry, Government has put in place a liberal and investor-friendly policy on Foreign Direct Investment (FDI) under which FDI up to 100% is permitted on the automatic route in most sectors / activities. The policy on FDI is reviewed on a continuing basis through inter-ministerial consultations, with due consideration of relevant issues raised by various stakeholders. During February 2009, Government had issued guidelines on the subjects of calculation of total foreign investment i.e. direct and indirect foreign investment in Indian companies, transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities and clarificatory guidelines on downstream investment by Indian Companies through Press Notes 2, 3 and 4 of 2009 respectively. The Policy on Foreign Direct Investment (FDI) is incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified under the Foreign Exchange Management Act (FEMA), 1999. Section 13 of the Act provides for imposition of penalty, after adjudication, for contravention of the provisions of the Act or Rules / Regulations.

### **FII's invest US\$ 6.32 billion during April-June 2009**

According to the data available with the market regulator, Securities and Exchange Board of India (SEBI), Foreign Institutional Investors (FIIs) have invested US\$ 6.32 billion into the stock market during April-June 2009. FIIs believe the India growth story is intact and would continue to invest in the Indian market on a longer horizon. During the first quarter of the current fiscal, FIIs bought shares worth US\$ 37.66 billion, while they sold equities valued at US\$ 31.36 billion, resulting in a net inflow of US\$ 6.32 billion. In the month of May alone, the market saw an inflow of US\$ 4.17 billion, accounting for 66 per cent of the total investment in the June quarter.

### **Foreign investors eye green SMEs**

Investors from the US and European countries are keen to invest around Rs 2,000 crore (US \$ 416 million) to promote and equip small and medium enterprises engaged in green business, according to New Ventures India (NVI). NVI, set up by the Confederation of Indian Industry (CII) in association with the World Resources Institute, Washington, acts as a facilitator between the Indian SMEs and foreign investors, who support SMEs operating in environmental or green sectors such as advance technologies for water management, agriculture/organic products, clean technologies, ecotourism, renewable energy, green building materials, among others. Some of the key investors include ICICI Bank, ATE Enterprises, Denmark-based Best Seller, Canara Bank, Nexus India Capital, Sequoia Capital, the Netherlands-based Cordaid and Acumen Fund. NVI also provides mentoring and technical assistance to entrepreneurs through a network of business consultants, business school students and technical experts and helps them market their products by identifying potential markets. The minimum investment in a company

will be Rs 1 crore (US \$ 2.08 million) and the maximum could go up to Rs 15 crore (US \$ 31.25 million). The investor will stay with the company for 3-7 years. The fund option can be debt, equity and hybrid.

### **Services amongst Indian sectors attracts most FDI over last 3 yrs**

Services sector in India attracted the highest foreign direct investment (FDI) worth US\$ 17.45 billion in the period April 2006-March 2009, ahead of computer and telecom sectors. According to the Minister of State for Commerce and Industry, Mr Jyotiraditya Scindia, the services sector accounted for 27 per cent of the total FDI inflows worth US\$ 64.40 billion received during April 2006-March 2008. The Minister also pointed out that Government was undertaking various initiatives like economic co-operation with developed as well as developing countries to promote FDI inflows. The Centre was also making efforts to make regulations conducive for business in tandem with state governments and private associations, he added.

### **Impact of global meltdown on FDI**

Foreign Direct Investment (FDI) equity inflows in the country have increased from US \$ 5.5 billion in 2005-06 to US \$ 27.31 billion in the year 2008-09. The FDI inflows in 2007-08 were US \$ 24.58 billion and increased to US \$ 27.31 billion in 2008-09, despite the economic slowdown, showing a percentage growth of 11% over the previous financial year.

### **Indian stock markets outperform rest globally in 2009**

According to an analytical study by MSCI Barra indices, the Indian stock markets have risen to be amongst the best performers globally across the emerging and developed markets in 2009 year-to-date. The study gave a measure of returns from various stock markets across

the world for foreign investors. The study indicated that Indian stocks have given investors a huge return of almost 60 per cent, bettering performances in US, UK and China as well in 2009 till now. In comparison, the emerging market index covering all developing nations registered a return of only 34.37 per cent. Indian stocks did even better than all the developed world markets covered by MSCI Barra, as the markets in the US and the UK gave returns of just 2.33 per cent and 10.17 per cent, respectively, till date in 2009. Indian stocks have also given smart returns of almost 62 per cent to the foreign investors in the past quarter ended-June 26. Indian markets have been posting positive trends owing to the stable political mandate and economic reforms as per analysts. "The Indian stocks have been on a recovery path primarily in the past three months due to election results and on expectation of new government spurring the economic reforms in the country in the days to come," an analyst from a leading brokerage said.

### **NRI deposits in banks shoot up to \$1.16 b in April-May**

Parking money with banks in India continues to be an attractive proposition for non-resident Indians (NRIs). Overseas Indians have cumulatively placed \$1.167 billion as deposits with banks in the first two months of the current financial year as against \$452 million in the corresponding period last year. Bankers pointed out that with the benchmark 6-month London Inter Bank Offered Rate coming down sharply from over 3 per cent a year ago, to around 1 per cent now, deposits placed by NRIs with local banks overseas were hardly fetching them any returns. Hence, NRIs were finding it remunerative to park their money with Indian banks, which were offering higher interest rates. In the April-May 2009 period, NRIs cumulatively parked \$543 million in Foreign Currency Non-Resident (Banks) deposits.

In the corresponding period last year, they had pulled out \$291 million from the FCNR(B) deposits. While the flow of money into Non-Resident Ordinary (NRO) Rupee account was higher at \$437 million (\$352 million), the flow of funds into Non-Resident (External) Rupee Account was lower at \$187 million (\$391 million). In financial year 2009, cumulatively, banks had a robust inflow of \$4.289 billion into NRI deposits as against \$179 million in the previous financial year.

### **India continues to be most attractive outsourcing hub**

India continues to be the most preferred destination for companies looking to off-shore their IT and back-office functions, despite the backlash against outsourcing to the country. It also retains its low-cost advantage and is among the most financially attractive locations when viewed in combination with the business environment it offers and the availability of skilled people, according to global management consultancy AT Kearney. India has retained its number one position even as some other well-established outsourcing hubs dropped in their attractiveness to be replaced by new emerging destinations in AT Kearney's latest ranking of the top outsourcing destinations across the globe. "The top three countries in the 2009 Global Services Location Index (GSLI) remain the same — India, China and Malaysia — but the world's volatile economic environment is reflected in the rest of the rankings," the consultancy pointed out. The study evaluates 50 top countries. Significantly, India is also no longer being viewed only as a competitor but also as an enabler to industry growth in other regions.

### **Five Indian banks among top 1,000 in the world**

Five Indian lenders figure in the 2009 list of the world's top 1,000 banks compiled by trade magazine 'The Banker' after a

year of carnage in the global banking industry. Only two, State Bank of India at the 64th position and ICICI Bank Ltd at 81<sup>st</sup>, figure among the top 100 by tier I capital—a core measure of a bank's financial strength that consists largely of shareholders' capital. Punjab National Bank, HDFC Bank Ltd and Bank of India come in at 239, 242 and 263, respectively, on the list to be published in the July issue of 'The Banker', a part of the Financial Times group that has been carrying the rankings since 1970. Banks that stuck to the basics, taking deposits and lending in their home markets, fared the best. Industrial and Commercial Bank of China, followed by China Construction Bank and Spain's Banco Santander SA achieved the largest profits.

### **India to emerge as the preferred destination for foreign investors: Moody's**

India and China will soon emerge as the preferred destinations for foreign investors, revealed Economy.com, the research arm of global rating agency Moody's. According to Sherman Chan, an economist with Moody's Economy.com, investment opportunities in China and India will soon be in hot demand again. The two emerging giants had remained appealing to international investors even during the gloomiest phase of the global downturn. Mr. Chan further said that India was expected to record gradual recovery in FDI (foreign direct investment) inflows in coming months, especially since the Indian authorities were keen to promote public-private partnerships in supporting growth initiatives. The research arm also said that the recent stabilisation in corporate conditions may have also revived investment flows into China and India.

### **Core infrastructure shines again, growth up 6.5%: July 24, 2009**

The six core infrastructure industries

grew 6.5% in June on the back of robust performance by cement and steel, adding to the cheer as news trickled in that monsoon showers had clocked 15% above normal last week.

### **Power Ministry clears projects worth Rs 1,614 cr**

The Power Ministry has approved distribution sector upgradation projects worth Rs 1,614 crore (US \$ 336.25 million) for 423 towns. The move is expected to give a fillip to the information technology and electrical equipment sector. The Steering Committee on Restructured Accelerated Power Development and Reforms Programme (RAPDRP) approved these projects for towns in Gujarat, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. So far, the Ministry has approved 1,022 projects worth Rs 3,562 crore (US \$ 742.08 million).

### **Indian Animation Industry to grow**

The Indian animation industry is expected to grow from the current Rs 17.4 billion (US\$ 360 million) to Rs 39 billion (US\$ 806.3 million) by 2013, according to a FICCI-KPMG study. Significantly, global and domestic entertainment companies such as Cartoon Network, DQ Entertainment, Yashraj Films, Disney, MGM and Paramount have announced that they would tap the Indian market through locally-produced animation and graphics content.

### **SEBI puts Rs 5-cr start up cap on foreign VCIs**

With a view to get parity between Indian and overseas venture capital funds, stock market regulator Securities & Exchange Board of India (SEBI), in its announcement has made it compulsory for foreign venture capital investors (FVCIs) to attain firm commitment from investors for contribution of at least Rs 5 crore (US \$ 1.04 million) before the start of operations by the venture capital

fund. SEBI, in its order, stated that each scheme launched or fund set up by a venture capital fund shall have firm commitment from the investors for contribution of the minimum stipulated amount before the start of operations by the venture capital fund. However, the SEBI (Foreign Venture Capital Investors) Regulations, 2000, do not stipulate a similar requirement for FVCIs. The market regulator has decided to bring in parity between domestic venture capital funds and FVCI. There were around 129 foreign venture capital firms registered with SEBI as on May 12, 2009, and 132 domestic venture capital funds. Most of the overseas funds are registered in Mauritius and have International Financial Services, IFS Court in Cybercity, Ebene in Mauritius as their address.

### **India, US sign pacts on civilian satellites, defence equipment**

India and the US signed a slew of agreements to give a further boost to the bilateral engagement between them, during the US Secretary of State, Ms Hillary Clinton's first visit to India, after the Obama administration came to power earlier this year. Addressing a joint press conference, the External Affairs Minister, Mr S. M. Krishna, said that three agreements were concluded including the creation of a science and technology endowment fund and a technical safeguard agreement for the launch of civilian satellites incorporating US components. Besides an end-use monitoring pact for the procurement of American defence equipment was also concluded. At the talks it was also decided to establish strategic dialogues in five areas of cooperation including agriculture, science and technology, trade, energy and finance. The Secretary of State said that apart from government officials, members from industry and civil society would also be part of this strategic dialogue.

## **Improving industrial output**

The Index of Industrial Production (IIP) registered a growth of 2.6% in 2008-09 (Apr-March) and Consumer durables segment registered a growth of 4.4%. As per the revised estimates released by Central Statistical Organisation, the industrial growth measures in terms of Index of Industrial Production (IIP) registered a growth of (-) 0.8% in March, 2009 compared to 5.5% in March, 2008. The lowering of cost of credit, reduction in CENVAT, sector specific initiatives, has helped to stimulate domestic demand and generate higher employment. As a consequence of various measures taken by the Government, there are early signs of recovery of the industrial sector. The index of industrial production which registered a negative growth rate of (-) 0.7% and (-) 0.8% in February and March 2009 respectively has improved to growth of 1.4% in April, 2009.

## **Anand Sharma launches e-biz project – Infosys as project partner aims to create investor-friendly business environment**

While launching the **e-Biz Project**, an initiative of the Department of Industrial Policy and Promotion (DIPP), Mr. Anand Sharma, Union Minister of Commerce and Industry stated that over the years, the Government had been making progressive reforms to improve the business environment in the country. According to Mr. Sharma, while there had been many positive steps initiated after the reforms started in 1991, more needs to be done to make the country a globally preferred investment destination. He underlined that for entrepreneurs and established companies looking at operating successful businesses in India, the government needs to provide a regulatory environment that encourages and instills faith in investors. During the event, Mr. Sharma said that Infosys Technologies Ltd., a leading Indian IT services provider, has been selected as project partner on the

basis of a comprehensive bid evaluation process and added that Infosys would be responsible for designing and developing the e-Biz platform, establishing the support IT infrastructure, implementing, maintaining and expanding the e-Biz solution and services over the next 10 years. The e-Biz project will leverage the capabilities and potential of Information and Communication Technology to consolidate regulatory frameworks, re-engineer regulatory processes, and provide a platform that can be leveraged for enhanced G2B service offerings. In effect, this projects aims at developing a transparent, efficient and convenient interface, through which the government and businesses can interact in a timely and cost effective manner, in the future.

## **Exports from SEZs**

During the year 2008-09, India's total export registered a growth of 3.5% as compared to a growth of 29.1% during the previous year. The slow growth of export was primarily due to adverse impact of global slowdown on India's exports from the Second Half of the year.

## **India's trading partners**

India has taken a number of initiatives to enhance trade in other parts of the world through various trade promotion programmes which aim to promote trade by giving market access initiatives, establishing institutional mechanisms such as Joint Trade Committees, holding fairs & exhibitions and by granting assistance to exporters to promote trade on sustained basis. For offsetting high freight cost and other externalities in select international markets, a new scheme called "Focus Market Scheme" has been launched since 1.4.2006. This allows exporters to get an incentive in the form of freely transferable duty credit scrip @ 2.5% of the FOB value of exports of such products.

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